Canadian Agriculture and Agri-Food

Exporter's Guide to Opportunities in the Middle East: KUWAIT

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CBDI

Canadian Business Develoment International
Presents:

Canadian Agriculture and Agri-Food
Exporter's Guide to Opportunities
in the Middle East:

KUWAIT

OTHER AVAILABLE COUNTRIES IN THE STUDY

United Arab Emirates
Bahrain
Saudi Arabia
Oman
Qatar

Jordan
Lebanon
Syria
Yemen

Canadian Business Development International (CBDI) has been contracted by the Market Industry Services Branch of Agriculture and Agri-Food Canada to provide an overview of the export opportunities and general guidelines for Canadian exporters of agriculture and agri-food products in the following 10 countries in the Middle East:

1) Saudi Arabia	2) United Arab Emirates
3) Bahrain	4) Kuwait
5) Oman	6) Qatar
7) Jordan	8) Lebanon
9) Syria	10)Yemen

The studies of the other nine countries are available from Agriculture and Agri-Food Canada.

The study is a collection of the best available government and private sector information from Canada and abroad. It is designed to provide the reader with a fully compiled and referenced single source for all of this material as well as a detailed analysis of secondary import and export statistics provided by Statistics Canada and the World Trade Database.

The information contained in this document has been reviewed by trade and commodity experts at Agriculture and Agri-Food Canada, Department of Foreign Affairs and International Trade, and Canada's posts in the countries, and has met with their approval.

For a comprehensive list of the sources used by CBDI and a directory of contacts for further information please see the Bibliographical Index and Contact Information sections at the end of the report.

EXECUTIVE SUMMARY

INTRODUCTION:

The Agriculture and Agri-Food Exporter's Guide to Opportunities in the Middle East is designed to provide the reader with a single source reference manual on the key elements and opportunities for exporting to ten countries in the Middle East. It is intended for use by Canadian agri-food exporters. Trade Commissioners and other government officials will also find it a useful source document for information requests.

This study is in a modular format, such that each country profile can act as stand-alone documents, detailing the relevant information for potential Canadian exporters.

The statistical data included in this document has been provided by Statistics Canada (for Canadian exports) and the World Trade Database (for country imports). Due to the time and recording differentials inherent in the two databases, Canadian export statistics are provided in Canadian dollars, up to 1995; whereas country import statistics are only available in US dollars up to 1994. This standard is consistent throughout the document.

POTENTIAL OPPORTUNITIES:

The Middle East is generally an arid region with limited land available for agricultural production. Irrigation methods are used, however, countries (specifically Saudi Arabia) are finding it more difficult to drill for fresh and usable water, resulting in a further reduction of productive capabilities. As such, the region tends to import a large amount of agriculture and agri-food products to support consumption demands. These imports range from US$140 million (Qatar in 1994) to US$4.1 billion (Saudi Arabia in 1994). Thus it is clear that the Middle East offers immense potential for Canadian agri-food exporters.

Key opportunities include:

- **Processed Food and Products:** ***(HIGH)*** There are extensive opportunities for value-added products in all ten countries covered by this study, however, Saudi Arabia, the UAE and Kuwait offer the best potential for growth.
- **Special Crops:** ***(HIGH)*** Canadian exports of special crops to the region have been increasing steadily over the past several years, with new opportunities emerging in chick peas and other pulses. Key markets are: the UAE, Saudi Arabia, Kuwait, and Syria.
- **Beverages:** ***(HIGH)*** Since most countries in the Middle East are predominantly Muslim, there is a high demand for non-alcoholic beverages. Canadian fruit and vegetable juices, carbonated flavoured water, and mineral water have the potential to do very well in the region. Bahrain, and the UAE in particular, offer a great deal of potential for alcoholic beverages as well.
- **Grains and Oilseeds:** ***(HIGH)*** Although Canadian exports of grains and oilseeds have tended to be either erratic or declining, there are significant opportunities for barley, wheat, canola oil and niche products in many countries, most notably Saudi Arabia and the UAE.
- **Eggs and Poultry:** ***(MEDIUM)*** There are promising opportunities for egg-type and broiler-type breeding chicks in Saudi Arabia, the UAE, Bahrain, and Yemen. As well, since pork is not consumed in most of the countries, poultry meat is generally a large staple.
- **Livestock and Other Animal Products:** ***(MEDIUM)*** Despite rigorous import regulations, the Middle East is a large import market for live animals and meat products. Strong potential exists in the UAE, Saudi Arabia, Jordan, and Syria.

GENERAL CONSTRAINTS:

Many North American's perceive the Middle East to be too complicated a market to enter, despite the significant opportunities that await determined exporters. Although there are very real constraints to dealing with the Middle East, they are easily overcome with the right approach. Some of the more notable difficulties include:

- **Transportation Costs:** Due to the long distances, there are considerable costs involved in exporting goods to the Middle East. Furthermore, containerization is often a problem. Since Canada does not import enough products that require refrigerated or ventilated containers, exporters often find it costly to bring these specialized containers up from the US.
  - *Although these are real constraints, Canadian exporters may consider consolidating shipments to the Middle East to reduce costs and avoid partially empty containers from increasing shipping costs.*

- **Language and Cultural Barriers:** Unlike exporting to the US or Europe, the Middle East is a dramatically different environment in which to operate. There are very specific ways to conduct business which may seem foreign to many Canadian exporters.
  - *These barriers are easily overcome with frequent visits to the region. Also important is the selection of a good agent who can bridge the gap in culture and language for the exporter*

- **Strict Regulations:** The Middle East has a number of regulations that make exporting to the region complex and cumbersome. Most notably are the strict halal requirements for animal products and bilingual (and other) labelling requirements and production and expiry dates for all goods.
  - *The Canadian embassies in the region can help exporters understand and comply with these regulations, as well as assist in the selection of a good agent who will also help. This document also explains a number of the requirements for exporting to the region.*

It should also be noted that Canadian producers have an inherent advantage in meeting the labelling demands of the region, since they are already accustomed to printing bilingual labels for domestic use.

MARKETING TIPS:

Below are some suggestions for marketing Canadian products to the Middle East:

- If possible, visit the region. Face-to-face contact can be the difference between marketing success and failure. Bring product samples (where applicable) and be prepared to discuss price.
- Consider participating in major food shows in the area; for example, the Gulf Food Show in Dubai, UAE is an excellent way to meet potential customers from throughout the region and beyond.
- Eye-catching designs, logos, and colours that identify the product as Canadian may boost sales.
- Be ready to assist with shipping. If necessary, be ready to recommend a shipping company or directly arrange shipment and provide shipping costs.
- Be prepared to discuss marketing and advertising strategies. Gulf importers, in particular, are increasingly looking for advertising advice and assistance, especially with new-to-market products.
- Be aware that many importers will request exclusive agency agreements with suppliers. In many cases, local laws make it difficult to terminate an agency agreement, even with due cause. Thus selecting a good agent is particularly important.

REGIONAL INFORMATION

MARKETING:

The Middle East is a dynamic and diverse region with differences in the way business is conducted both within and between the various countries. However, there are some general rules for marketing products in the region.

- Face to face contact can significantly increase the chances of establishing successful business relations.
- Maintaining that relationship through frequent communications is equally important for success.
- The countries in the region are mostly cash markets, with substantial revenues from oil resources.
- Many of the countries have young populations, implying higher disposable income and expected growth in the future.
- The Gulf countries in particular have highly advanced agriculture and agri-food markets that tend to be very price competitive.
- The region has a strong knowledge and growing desire for Western products.

Key points to stress when selling products are:

- competitive price;
- Canadian origin; and
- the high-quality of the products.

Considerable emphasis should be placed on the role of these countries as possible markets for re-export of Canadian products. The port of Dubai in the United Arab Emirates (UAE) in particular, is a major re-export market, serving markets in other Gulf countries, Pakistan, Iran, and countries of the former Soviet Union (FSU). The Dubai World Trade Centre reported that Dubai imports approximately 70% of the UAE's consumable items, worth US$1.9 billion per year. Around 70% of these imports are then re-exported. Approximately 20% of these re-exported goods go to Iran, which is Dubai's largest re-export market. Dubai's re-exports to FSU countries were US$405 million in 1995, 27% of which was comprised of agricultural and agri-food products (not including equipment and chemical fertilizers). Azerbaijan is the leading market in the FSU for these re-exported goods.

Each country has specific, and often complex marketing regulations, such as labelling requirements and best before dates, that potential Canadian exporters should examine carefully before bringing their products to the region. For example, in Bahrain, baby food has an 18 month expiry period compared with a 12 month period in the UAE or Saudi Arabia. This example serves to highlight the importance of verifying each country's regulations before any sales are made. The Trade Annex that accompanies each country profile provides the details of many of these regulations.

It is strongly recommended by Migra's Canadian Exporters Guide (1995) that the term "**Persian Gulf**" should not be used on goods, documents, or letters for some destinations in this region. Anything so marked might be confiscated and destroyed by the Arab authorities. The term "**Arabian Gulf**" should be used.

PRICING:

Generally, it is recognized that shipping adds considerably to the cost of items manufactured in Canada, which can face stiff competition from Far Eastern and European suppliers. Thus pricing of products, particularly processed or semi-processed foods and beverages is particularly important. Many of the countries in the region are very price competitive markets, however, high Canadian quality goes a long way.

Moreover, exporters should consider the option of consolidating shipments of various products in order to reduce the burden of transportation costs, thereby making products more price competitive when they reach the markets.

Some of the countries in the region have strict policies with respect to pricing, while others have general norms that are followed by most exporters. Pricing policies are listed in the Annexes for each country.

RESTRICTED IMPORTS:
All imported beef and poultry products require a health certificate from the country of origin and a halal slaughter certificate issued by an approved Islamic centre in the country of origin ("halal" slaughter refers to animal slaughter performed according to Islamic law).

TRADE ARRANGEMENTS:
Gulf Cooperation Council (GCC):
The Gulf Cooperation Council (GCC) consists of six member countries (Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman). The GCC controls half of the proven oil reserves outside the former Soviet Union, and accounts for about 40% of all the oil moving in international trade. Created in 1981, the GCC tried to maintain the balance of power in the Gulf by strengthening multilateral cooperation in security and economic matters. The presidency of the GCC rotates yearly among the rulers of the member countries. The GCC is headquartered in Riyadh, Saudi Arabia.

As far as trade is concerned, the GCC is a loose confederation which serves only as a policy-coordinating forum for its members. It cannot impose trade policies upon its member states, thus each is free to pass and enforce its own trade laws.

In recent years there has been growing cooperation among GCC members on certain issues, such as:
- ♦ establishing standards;
- ♦ setting tariff ranges; and
- ♦ intellectual property protection.

There is also consideration being given to forming a customs union. Renewed work on a free trade area between the GCC and the EU is also pushing the six member states to closer coordination.

Arab Cooperation Council (ACC):
Jordan, Yemen, Egypt, and Iraq signed an agreement in February 1989, joining the countries in a new Arab economic bloc called the Arab Cooperation Council (ACC). The new community was designed to create a common market and encourage investment in joint projects. The goals of the association are to achieve economic integration in all production centres and coordinate the many areas including the economy, residence, travel, finance, industry, agriculture, transport, and communications.

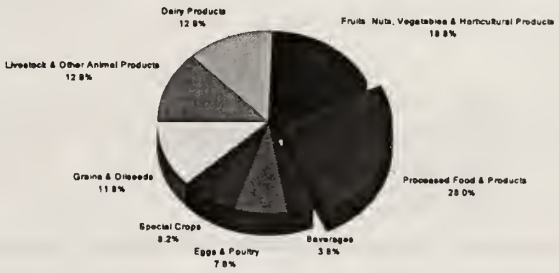
Arab League Boycott of Israel
In 1994, the Arab League boycott of Israel was partially lifted. The original boycott was initiated in 1959 and stated that all products coming directly from Israel, through Israel, or containing inputs from Israel were banned from all Arab League countries. Moreover, trade with countries that also traded with Israel was restricted. The 1994 partial alleviation of the ban left only the primary ban on Israeli products intact.

KUWAIT

Official Name	State of Kuwait
Head of State	Emir Sheikh Jaber al-Ahmed al Sabah
Minister of Agriculture	n/a
Language	Arabic (official), English
Population (1995)	1.8 million
Currency	Kuwaiti Dinar (KD)
Real GDP Growth (1995)	2.5%
Gross Domestic Product (1995 Per Capita)	$16,900
Consumer Price Inflation (1995)	3.5%
External Debt (1995)	$9 billion
Principle Growth Sectors	Oil, Public Sector, Manufacturing, Real Estate
Total Country Exports (1995)	$11.88 billion
Total Country Imports (1995)	$7.06 billion
Agri-Food Imports from the World (1994)	US$1 billion
Agri-Food Imports from Canada (1995)	CDN$ 4.8 million

Canada's Agricultural Exports to Kuwait 1995

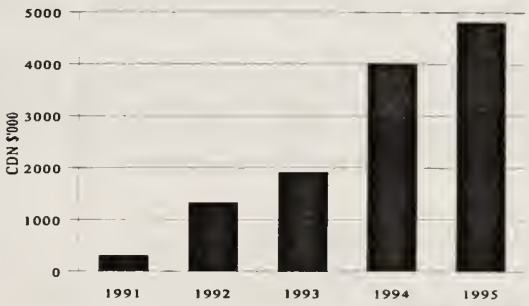
Kuwait's Agricultural Imports 1994



CANADA'S AGRICULTURAL EXPORTS TO KUWAIT

StatsCan : IN CDN $'000	1991	1992	1993	1994	1995
Grains & Oilseeds	133	492	376	1,136	475
Livestock & Animal Products	0	7	0	0	0
Special Crops	0	0	163	346	598
Fruits, Nuts, & Vegetables	0	275	161	204	239
Dairy Products	0	0	19	86	40
Eggs & Poultry	0	0	0	0	0
Processed Food and Products	298	1,037	1,552	2,551	3,811
Beverages	10	12	10	28	67
TOTAL EXPORTS	308	1,331	1,918	4,012	4,806

Canada's Agricultural Exports to Kuwait 1991 - 1995

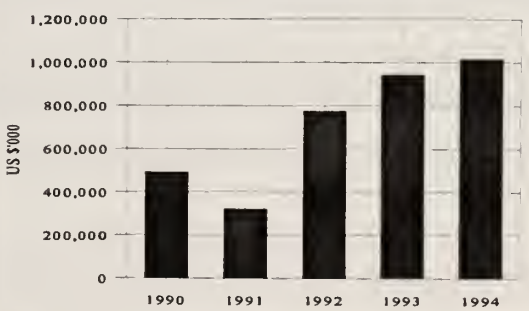


* Import and export totals may not match the sum of the commodities due to grouping and rounding procedures.

KUWAIT'S TOTAL AGRICULTURAL IMPORTS

WTDB : IN US $'000	1990	1991	1992	1993	1994
Grains & Oilseeds	68,015	38,233	104,861	111,775	119,866
Livestock & Animal Products	73,836	39,326	123,554	139,070	130,757
Special Crops	56,123	35,883	60,713	73,765	83,455
Fruits, Nuts, & Vegetables	72,876	31,797	113,599	143,529	170,215
Dairy Products	63,479	45,630	78,856	122,270	130,828
Eggs & Poultry	27,346	31,181	68,238	88,078	77,113
Processed Food and Products	127,364	84,444	203,294	230,963	264,433
Beverages	5,412	18,009	23,981	33,551	38,916
TOTAL IMPORTS	494,451	324,503	777,096	943,001	1,015,583

Kuwait's Agricultural Imports From the World 1990 - 1995



KUWAIT

BACKGROUND INFORMATION

Political Economic:

Kuwait is a small but very affluent country, with an economy that is supported primarily by oil revenues. Kuwait continues to recover from the Gulf War despite a dramatic decrease in population, from 2.25 million before the War, to 1.5 million at present. The country's economy has re-established itself following the Gulf War, and now the major focus for the government of Kuwait is privatization. The population of Kuwait is very young, with approximately 70% under age 24, and 40% of those under 14. This insures a trainable workforce and implies increased growth for the future.

The Gulf War has affected the domestic government social spending policies as well. Although the government continues to subsidize basic foods, oil products, bottled gas, electricity, water and local telephone charges, Kuwait has recently found it necessary to initiate user fees and stamp duties to curb the massive government spending that these programs require. There is no personal income tax in Kuwait, however, gross corporate profits earned in Kuwait may be subject to taxes of up to 55%.

Kuwaiti consumers tend to be attracted to new products and novelty items. They find a full range of European and North American value-added foodstuffs readily available in local supermarkets.

Agriculture in Kuwait:

In 1989, agricultural production in Kuwait was at its highest level, accounting for 1.1% of non-oil GDP. However, the pollution and environmental hazards caused by the War significantly reduced the influence of this sector. Vegetables, fruit, and timber production comprise the majority of the agriculture sector. Kuwait has a small livestock industry, that is still recovering from Gulf War destruction.

Before the Iraqi invasion, the Kuwaiti government controlled the prices of any commodities as part of a subsidy program. However, as subsidies are decreased or removed and service charges are imposed, this system will soon likely be dismantled.

Agricultural Trade in Kuwait:

Goods generally enter Kuwait under a 4% tariff, however, foodstuffs enter duty free for the most part. As with most other countries in the region, goods must bear Arabic labels; stick-on labels are not acceptable. The usual practice is to include bilingual Arabic and English presentations. A more comprehensive review of Kuwait's labelling requirements is presented in Annex B.

Because of the limited size of the market, exporters should expect orders for part container loads. In these cases, exporters may want to consider consolidating their shipments, putting many products in one container. This could be done at the initial exit port, New York, or Jebdel Ali (a Kuwaiti free port).

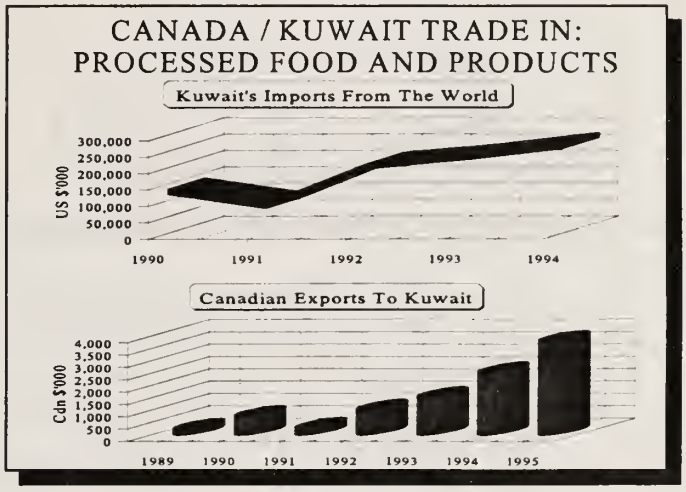
Kuwait imports a substantial portion of its agriculture and agri-food needs. Since 1990, imports have more than doubled from US$495 million to just over US$1 billion in 1994. Canadian exports to Kuwait have also increased over the years. In 1990 there was a one time Canadian sale of bulk grains to Kuwait that brought exports to over $25 million, however in the following year Canada exported $308,000 worth of agriculture and agri-food products to Kuwait. This has since increased to over $4.8 million in 1995, mostly on the strength on processed food and products.

EXISTING OPPORTUNITIES:

PROCESSED FOOD AND PRODUCTS

Market Characteristics:

Kuwait's relative wealth makes it a good market for processed food and products. In recent years, the market has become increasingly price sensitive. This is due to increasing competition, greater exposure to Western-style products, a growing middle class, and a young population.



The retail food sector is mature, but some opportunities still exist for Canadian suppliers. The retail market is dominated by local cooperative societies that handle up to 75% of consumer food purchases. In addition, the up-market Sultan Centres account for 20% and cater to North American and European expatriates, as well as wealthy Kuwaitis. The remainder is accounted for by small enterprises and two large public markets; one for fish and the other for meat, fresh fruits, and vegetables.

Most foodstuffs are consumed at home; at the same time, fast food outlets are well established in Kuwait and can be expected to account for an increasing proportion of the Kuwaiti consumer's food purchases in the future. Apart from the fast food outlets are large catering firms that serve the expatriate population working in the industrial sector.

Kuwaiti imports of processed food and products have followed the same growth trend that the country's total agri-food imports have set; they have doubled from US$127 million in 1990 to over US$264 million in 1994.

Export Opportunities:

Canadian exporters of processed food and products have already begun to take advantage of the great potential for exports to Kuwait in this market. In fact Canadian exports of these products have jumped from just over $774,000 in 1990, to almost $3.9 million in 1995, representing better than 81% of Canada's total agri-food exports to Kuwait in that year. The most impressive growth has been in frozen french fries, ice cream, and sugar confectionery.

- Canadian exports of french fries to Kuwait hit almost $1.3 million in 1995, up from just over $330,000 in 1990.
- Ice cream exports were equally impressive rising to $1.5 million in 1995, from $0 in 1990.
- Exports of sugar confectionery also increased significantly, from $0 in 1990, to $142,000 in 1995.

Constraints & Competitors:
Kuwait represents a potentially valuable market for niche products in the processed food and products sector. As such, finding those niche markets is often challenging and time consuming. However, Canada's recent success in these markets proves that sustainable sales can be made.

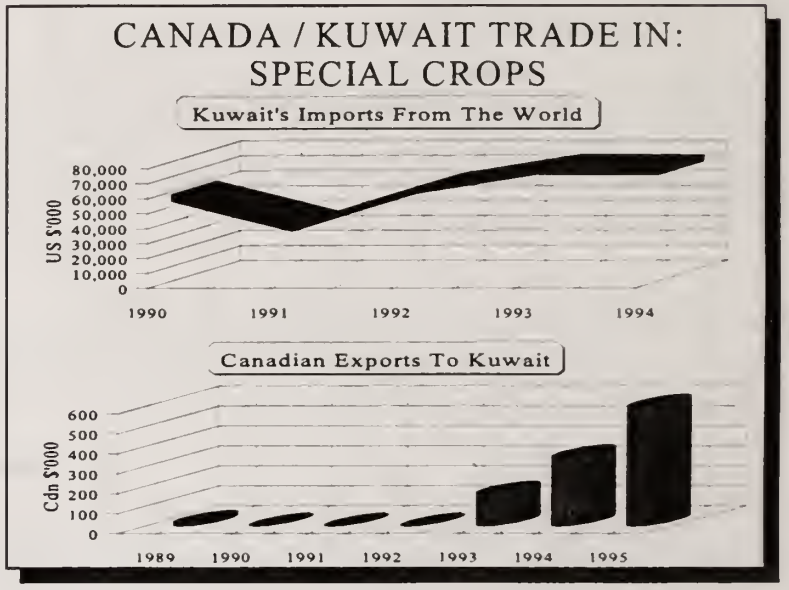
The principal competition in the processed food and products sector are the US and the EU, who have complimentary product mixes to Canadian exporters.

SPECIAL CROPS

Market Characteristics:
Kuwait's imports of special crops have been increasing steadily since 1990, with the exception of a brief dip during the Gulf War in 1991. They currently import US$83 million worth of special crops, up from US$56 million in 1990.

- Over US$73 million of the 1994 imports were made up of tobacco and tobacco products.

- Whereas only US$9.2 million comes from pulses in 1994.



Export Opportunities:
Canadian exports of special crops have grown dramatically over the past six years; from $0 in 1990, to over $598,000 in 1995.

- The 1995 exports were comprised of over $294,000 in pulses and over $303,000 in tobacco and tobacco products.

Constraints & Competitors:
The principal competitors in this market are India (US$4.2 million in 1994) and Turkey (US$1.9 million), for pulses, and the US (US$50 million in 1994), EU (UK - US$18.5 million), and Switzerland (US$2.3 million) for tobacco and tobacco products.

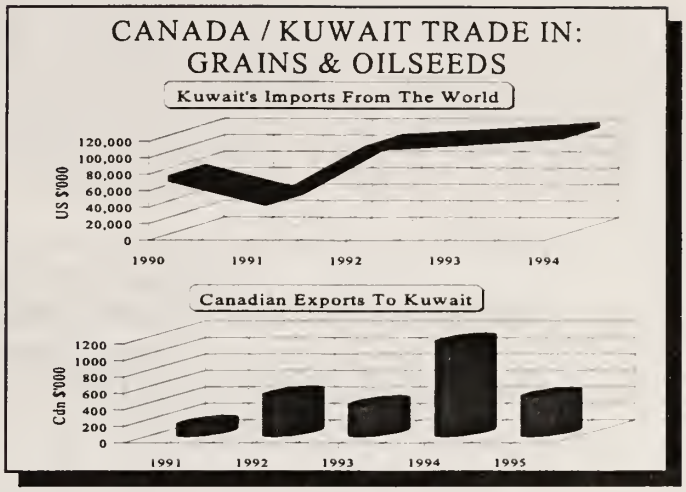
NEW AND EMERGING OPPORTUNITIES:

GRAINS & OILSEEDS

Market Dynamics:

Kuwaiti imports of grains & oilseeds have increased from US$68 million in 1990 to US$119 million in 1995.

- Imports of rice doubled from US$24 million in 1990 to US$52 million in 1994.
- Kuwait's imports of barley fell dramatically from US$18.4 million in 1990 (most of which was provided by Canadian exports) to US$2.5 million in 1994.
- The largest increase in Kuwait's imports of oilseeds came from fixed vegetable oils which jumped from US$9 million in 1990 to over US$25 million in 1994.



Soybean oil, in particular, is increasingly becoming a popular cooking oil with institutional users in Kuwait because of its relatively low price in comparison to that of other vegetable oils. Imports increased after a local firm which packs other vegetable oils started to import soybean oil in bulk from the U.S. for packing in Kuwait. Consumption of soybean oil is expected to increase steadily as the locally packed oil is offered at competitive prices.

Constraints & Competitors:

The US and the Netherlands are currently the principal competition in the soybean oil market niche.

INVESTMENT OPPORTUNITIES:

Joint ventures with Kuwaiti investors enjoy limited liability, relief from Kuwait corporate taxes, and management control options. There are a number of opportunities for Canadian businesses in the expanding Kuwaiti economy. Many of these opportunities lie in procurement in the public sector, privatization, commercial sales, and foreign direct investment.

ANNEX A: MARKETING INFORMATION

Distribution Structure in the Gulf (Excluding Saudi):

In general, the region's food retail sector is vertically integrated. In addition to their retail operations, the major supermarket chains also are importers, wholesalers and food distributors. Many of the largest companies also have catering, ship chandler and export divisions and are affiliated with local food processing firms. Several retailers are the sole agents for major brand names which they sell in their own stores and, also, distribute to competitor supermarkets. Finally, a few supermarket companies also operate internationally well-known fast food franchises.

Company Breakdown by Activity

Company	Imp	Dis	Who	Fra	Cat	Sch	Bak	Man
The Sultan Centre	Yes		Yes	Yes				
Union of Consumer Cooperative Societies	Yes	Yes	Yes					

Key - Imp = Importer; Dis = Distributor; Who = Wholesaler; Fra = Franchisee; Cat = Caterer; Sch = Ship chandler; Bak = Bakery operator; Man = Manufacturer. Source: USDA/FAS: Attache Report "Food Retail Sector in Gulf Region"

Distribution and sales of products and services in Kuwait occur through wholesale outlets run by large companies as well as through numerous, smaller retail outlets. Either type of outlet may be in a company's headquarters or in separate warehouses and shops. Consumer goods are distributed mainly through numerous neighbourhood cooperative markets. Suppliers of soft drinks tend to provide door-to-door service. Larger foodstuffs and soft drink companies also have their own distribution teams which sell and deliver goods to retail customers.

Retail Structure in the Gulf (Excluding Saudi):

The region's food retail sector is highly competitive. There are approximately 24 major food retail companies in the region, all of which are expanding their operations. In addition, there are thousands of smaller, mom and pop outlets vying for a part of the Gulf region's relatively small customer base. According to trade contacts, heightened competition has forced profit margins down and many small store owners out of business.

An increasing number of retailers are charging for prime end-aisle space in their supermarkets. The current fee for an endcap is reportedly about $270/month. Shelf space charges are not yet as prevalent, but many stores require local suppliers to stock and maintain their own shelf space. It is also common practice for retailers to request promotional assistance or price reductions, directly or in the form of free products.

Most of the major supermarket chains in the Gulf region are family owned. The exceptions are the consumer cooperative societies, which are member-owned and may receive substantial government assistance in the form of building and operating subsidies, and three corporately owned companies, Continent, Prisunic and Spinneys. Because the Gulf region has a relatively small population base, local supermarket chains are smaller than European and North American-based chains in terms of number of outlets, sales volume and annual turnover.

Supermarkets:
Until recently, supermarket chains in the Gulf region tended to be single-country operations. Competition and improved transportation and communications facilities, however, have convinced most major players to expand from their traditional base-country into other GCC markets.

Another trend in the region's food retail sector is the development and expansion of new products and services. Nearly all the major supermarkets boast a fresh produce corner, dairy area, modern meat and seafood counters, frozen, health and ethnic food sections and an in-house bakery. Many outlets also offer food courts, fast food takeout and non-food services such as dry cleaning, video rental and flower shops. In sum, a Canadian consumer would feel right at home in any of the major food retail outlets in the Gulf region.

Cooperatives:
Pushed by the private sector, consumer cooperative societies have also begun to upgrade existing outlets and open new, upscale stores rivalling those of their privately-owned competitors. This is particularly true in Kuwait, where cooperatives have embarked on an intensive modernization plan and appear to be targeting western expatriates.

Cooperatives in Kuwait, which account for 75% of food sales, are organized within well-defined neighbourhood units. Each neighbourhood cooperative has a main outlet and one or more smaller branch outlets. For the most part, each makes its own purchasing and pricing decisions.

Pricing:

The selling price of a Canadian product to an end user in Kuwait includes the following elements in addition to the Canadian supplier's ex factory cost:

- the manufacturer's profit;
- the Canadian inland transportation;
- Canadian export packing & documentation;
- freight;
- insurance;
- Kuwait customs duties (generally 4%);
- Kuwait customs clearance and inland transportation ($175/container generally);
- the Kuwait agent's commission (typically 5-15%);
- the Kuwait agent's administrative overhead; and
- provision for waste and damage.

The average importer's mark-up on food products is about 10-15%. Retail food prices are generally 20-30% above import/wholesale prices.

Competition:

Canadian exporters will find that they face moderate local competition as Kuwait's advanced manufacturing is somewhat limited. Foreign competition, however, is abundant, highly price competitive, often well supported by their governments, and vigorously represented by local agents. After the U.S., which supplies most of Kuwait's imports, Kuwait's leading suppliers are, in rank order: Japan (2), Germany (3), the UK (4), and France (5). Other important suppliers include China, Finland, India, Italy, Korea, and Sweden.

ANNEX B: TRADE REGULATIONS

Import Licensing:

Importation of the following products is prohibited:

- pork or foodstuffs containing pork;
- alcoholic beverages; and
- chewing tobacco.

General and individual import licenses are issued by the Ministry of Commerce and Industry. Import licenses are required for all commercial imports other than fresh fruit and vegetables. Licenses, except for wheat and flour, are issued freely to registered Kuwaiti merchants and companies.

Registered importers handling a variety of commodities may obtain a general license which is valid for one year. Other importers must obtain specific licenses for individual commodities (valid for one year). Commercial imports are limited to registered importers. To be registered, the importer must be either:

- a Kuwaiti citizen;
- a firm in which all partners are Kuwaiti nationals; or
- a shareholding or limited liability company in which Kuwaiti national own at least 51% of the stock.

Credit and Payment Conditions:

- ***Usual Terms:*** Letter of credit terms are recommended. A ban is in force for all goods imported from Arab countries which supported the Iraqi invasion. In line with other GCC states, Kuwait has formally abandoned the secondary and tertiary boycotts of Israel.

- ***Transfer Situation:*** Local delays of one month, and foreign exchange delays of three months are reported. Longer foreign exchange delays are reported for public sector contracts.

Customs Tariff:

At this time there are no customs duties on most food, agricultural items, or essential consumer goods. However, the Kuwait Government is considering raising tariffs in order to raise revenues and "harmonize upward" with tariffs in other GCC states. In February, 1995, the General Administration of Customs proposed a set of new categories of customs duties. In particular, the 4% category to be applied to basic food (except for foodstuffs imported from other GCC countries which are exempt from duty in Kuwait). The new tariffs will go into effect when they have been approved by the Finance Ministry. These new duties are expected to be approved in December 1996, although the final rates may be different from those in the original proposal.

Taxes:

There are no import taxes.

Labelling Requirements:

All goods imported into Kuwait must be clearly marked with the country of origin. All foodstuffs should carry an Arabic language label (in Arabic or in Arabic/English) stating the name of the manufacturer, the brand name of the food product, the name of the food product, its composition (a list of ingredients and additives, if any, in descending order of importance), net and gross weight in metric units, country of origin and its production and expiry dates. All fats and oils used as ingredients must be specifically identified on the label. Arabic stickers are acceptable provided they do not cover vital information on the original label.

Importers require a health certificate, the standards used are based on the World Health Organization and the Food and Agriculture Organization (WHO/FAO) Codex Alimentarius recommendations.

Kuwait has some very specific regulations which restrict the entry of food products based on the expiry date and age of the product relative to its production date. These limitations are as follows:

- For goods with an expiry date of one year or greater from the date of production: If more than six months have passed since the production date, these goods are barred from entry into Kuwait.

- If the expiry date of the food item is less than one year from the date of production: If more than half of the life time of the item has elapsed, or if three months has elapsed, whichever elapsed period is shorter, the product shall be denied entry.

- However, food items whose expiry date falls within less than two months of the date of production are exempted from the above regulations.

Halal Export Requirements for Kuwait:

Eligible/ineligible Products:

Eligible Products:

- *Meat Products:* Beef, veal, lamb, mutton, and goat are eligible for export to Kuwait.
- *Poultry Products:* Poultry is eligible for export to Kuwait.

Ineligible Products:

- *Pork and Pork Products* are ineligible for export to Kuwait.

Processing Requirements:

Meat and Poultry

- *Procedures:* Procedures used in processing products must be equivalent to Codex standards.
- *Pork tissues:* Pork tissues or lard are not permitted in formulated products.

Slaughter Requirements:

Ritual Islamic Halal Slaughter requirements apply.

Labelling Requirements:

All products: Storage temperature must be placed with the refrigeration statement on the boxes to fully clarify the type of product being handled. (Example: "keep frozen store at or below __ °C; keep chilled (or refrigerate) store between __ °C and __ °C.")

Fresh/frozen and canned meat and poultry: In addition to the labelling features mandatory in North America, precut and packaged meat and poultry must bear the following features (in print):

- Country of origin.
- Statement that product has been slaughtered according to Islamic principles.
- Bilingual labels. All labels must be in English and Arabic, including the statement that the product has been slaughtered according to Islamic principles. The English section of the label should state the name of the product and the name and address of the manufacturer or the producer. No portion of the label should be crossed out.
- Metric net weight. Lettering and numbers for unit metric weight must be in Arabic.
- Production (slaughtered or freezing) and expiration dates must be on individually packaged product. The expiration time permitted for meat and poultry is 12 months. Spell out or abbreviate name of month (Example: Jan. or January 1996). Calendar strips preprinted on label allowing the designation of calendar dates with literal translation are in frequent use. Acceptable alternatives are:
  - Specific expiration date up to a maximum of 12 months; or
  - Statement, "Product good for 1 year from (date of production)."

NOTE: The following methods of labelling may be used as alternatives:

- Stickers: Must not interfere with label terminology and must be self destructive on removal. Over-labelling may result in refused entry of product. Stick on labels covering existing labelling information are in violation. No sticker carrying the production and/or expiration date is allowed on any product.
- Inserts: Must be accompanied by production and expiration dates. Inserts must be made of approved materials.
- Ink stamp: Ink must be indelible and legible. (This is the least acceptable labelling method.)

Handling/Storage Requirements:

Product Requiring Special Handling: Kuwait requires that instructions for consumers concerning storage, preparation and other special handling requirements accompany all shipments.

Packaging: All fresh/frozen product must be visible through wrapper.

ANNEX C: LOGISTICS

Infrastructure in Kuwait:

Kuwait is a small country and many of the challenges of distribution of goods and services found in other, larger countries do not exist in Kuwait. The road system is well developed, with modern multi-lane expressways linking all areas of the country. There are no railways in the country. Kuwait International Airport is located south of the city and is easily accessed by expressway. It has a number of regular flights to destinations in the Middle East, Europe, and Asia and can handle the world's largest aircraft.

Entry and Warehousing:

Cargo is allowed to remain in customs and port's storage areas exempted from landing fees for a period of 14 days from the date the vessel completes its discharging operation. Goods not cleared after 30 days may be moved outside the port's premises by the port department. The loading, transportation, and any other expenses will be borne by the owner of the goods.

Key Ports of Entry:

There are essentially only two significant commodity ports in Kuwait. These are:

- *Shuaiba Port* on the eastern gulf coast; and
- *Shuwaikh Port* located just north of Kuwait City on Kuwait Bay.

Both are equipped with facilities to handle most kinds of cargo, but Shuwaikh is the regular port of entry for most consumer goods entering the country by container ship.

Free Trade Zones:

There are no free trade zones or free ports in Kuwait. However, as part of a study on the future of Kuwait's ports, the Kuwaiti Public Ports Authority has contracted for a feasibility study on the possibility of a free trade zone at Shuawikh Port.

Importer/Agency Agreements:

Commercial agencies, distributorships, and commission agents are governed by the Kuwaiti Commercial Code. Only Kuwaiti nationals of Kuwaiti corporations may represent foreign principals. Appointment of a representative is mandatory to make sales in Kuwait. All representational contracts must be registered in writing and contain provisions regulating at least the following particulars:

- the nature of the representation, whether exclusive or not;
- the territory of the agency;
- the agent's remuneration; and
- the duration of the representation.

It should be noted, however, that in the case of foodstuffs, local agency laws are not strictly enforced. Food products are sometimes imported by other than the designated agents.

BIBLIOGRAPHICAL INDEX - KUWAIT

BACKGROUND INFORMATION:

Department of Foreign Affairs & International Trade
- "Doing Business in the Middle East" (September, 1996)

Agriculture and Agri-Food Canada
- "Agri-Food Overview of the Gulf States" (1996)

United States Department of Agriculture - Foreign Agricultural Service (USDA/FAS)
- Attache Reports
- Food Market Report

These information products provide a comprehensive review of the country's agricultural production characteristics, trade policies, and market issues. They are a valuable tool for any exporter in assessing the opportunities for agricultural exports to a given country or region. These reports (and others) can be accessed electronically via the Internet at: ***http://ffas.usda.gov/ffas/markres.html.***

United States National Trade Databank
- International Trade Administration - "Country Commercial Guide"

The "Country Commercial Guides" offer the reader a broad analysis of the political/economic make-up of a country as well as a review of the economic trends and outlook for a number of industrial sectors.

EXPORT OPPORTUNITIES:

United States Department of Agriculture - Foreign Agricultural Service (USDA/FAS):
- Attache Reports

Statistics Canada
- Canadian Export Statistics (1988 - 1995)

World Trade Database
- Kuwait's Import Statistics from the World (1990 - 1994)

ANNEXES:

Arab World Online (AWO)

One of the most used sites for this study, Arab World Online is an information source with direct access to virtually every aspect of the Arab world. AWO is a joint-venture between the National U.S.-Arab Chamber of Commerce (NUSACC) and Multitasking Online. This site provides general overviews on all the countries in the Study, as well as detailed marketing, trade, and logistics information. Notably, the **Halal Requirements** section of Annex B is taken directly from this site. It can be accessed via the Internet at: ***http://www.awo.net.***

Arab Net

Arab Net is a web site that compiles a great deal of the relevant country and regional information available on the internet into one, easy to use, site. It can be accessed at: ***http://www.arab.net.***

Dun & Bradstreet Exporter's Encyclopaedia (1995)

This is the single most often cited information product used in the Annexes. It provides a detailed guide to trade and logistical information for all of the countries in the study, as well as a variety of other useful information for exporters interested in the region.

Migra's Canadian Exporter's Guide.

One of the few private sector Canadian sources available, this guide offers some very detailed documentation requirements for the countries in the region.

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